

84-7095

United States Court of Appeals
For The Second Circuit

UNIVERSAL CITY STUDIOS, INC.,

Plaintiff-Appellant,

against

NINTENDO CO. LTD. and NINTENDO OF AMERICA,
INC.,

Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

**SUPPLEMENTAL BRIEF FOR
DEFENDANTS-APPELLEES**

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**SUPPLEMENTAL BRIEF FOR
DEFENDANTS-APPELLEES**

This supplemental brief is submitted on behalf of defendants-appellees, Nintendo Co., Ltd. and Nintendo of America, Inc. (collectively "Nintendo"), pursuant to the Court's request, dated May 25, 1984, that counsel brief the question whether Judge Sweet abused his discretion when he certified his summary dismissal of the complaint of Universal City Studios, Inc. ("Universal") as a final judgment under Rule 54(b) of the Federal Rules of Civil Procedure since Nintendo has pending counterclaims. Judge Sweet properly invoked Rule 54(b) and did not abuse his discretion because the judgment dismissing Universal's complaint was a final adjudication of

Universal's entire claim for relief which is separable from and independent of Nintendo's counterclaims, and there is no just reason for delay.

I STATUS OF THE CASE

In July 1981, Nintendo introduced its audio-visual game "Donkey Kong" into the United States market. Almost immediately, Donkey Kong became a major commercial success achieving immense popularity among video game players, attracting more than fifty licensees and reaping millions of dollars in revenues. On June 29, 1982, Universal commenced this action against Nintendo claiming irreparable harm arising from Donkey Kong's alleged infringement of what Universal claimed to be its exclusive "property and trademark rights" in the "name, character and story of King Kong." A14-25. Among other relief, Universal sought a permanent injunction and an accounting. It did not seek any preliminary relief.

Prior to filing the complaint against Nintendo, Universal used the threat of litigation to force one of Nintendo's major licensees to enter into an agreement providing a cash rake-off to Universal from the sale of Donkey Kong products. Almost one year later, Universal introduced, through a licensee, a "King Kong" audio-visual game into the United States market which substantially copied various elements of the graphic game play in Nintendo's copyrighted Donkey Kong game. During the course of this litigation, Universal has succeeded in extracting further rake-offs from other Nintendo licensees and in interfering with Nintendo's marketing of Donkey Kong.

Nintendo answered Universal's complaint on October 5, 1982. It denied that Donkey Kong could be confused with King Kong and asserted further that: (1) Universal had no protectible rights in King Kong; (2) Universal was estopped from bringing its present claim; and (3) King Kong could not serve as a trademark in any event. Nintendo also counterclaimed against Universal for copyright infringement because of Universal's copying of the Donkey Kong game play in its King Kong game and for unfair competition because of its

misappropriation of Nintendo's rights in Donkey Kong and its tortious interference with Nintendo's licensees and prospective licensees.

By court order, all discovery on Universal's trademark claims was completed by April 15, 1983. Nintendo moved for summary judgment against Universal's complaint on May 10, 1983. Judge Sweet granted summary judgment against Universal dismissing all of its claims on December 22, 1983. Nintendo did not move for summary judgment on its counterclaims, and discovery as to the counterclaims for copyright infringement and unfair competition remains open.

II ARGUMENT

There is a general federal policy against piecemeal appeals (*see Brunswick Corp. v. Sheridan*, 582 F.2d 175, 183 (2d Cir. 1978) (Friendly, J.)), but Rule 54(b) allows a district court dealing with multiple claims in a single action to direct, in appropriate cases, the entry of final judgment on fewer than all of the claims. *See generally Robert L. Haag, Inc. v. Swift & Co.*, 696 F.2d 30 (2d Cir. 1982); *Ackerman v. Ackerman*, 676 F.2d 898 (2d Cir. 1982). The decision whether to certify a judgment pursuant to Rule 54(b) is left to the sound discretion of the district court judge who is in the best position to determine the "appropriate time" for an appeal of each final decision in a multiple claims action. *Curtiss-Wright v. General Electric Co.*, 446 U.S. 1, 8 (1980). The district court's exercise of discretion "should be given substantial deference" and upset only if "clearly unreasonable." *Id.* at 10.

To satisfy the requirements of Rule 54(b), a judgment must be "final" and the claim "adjudicated" must be a "claim for relief" separable from and independent of the remaining claims in the case. *Brunswick*, 582 F.2d at 182. In addition, the district court judge must make an express determination that there is no just reason for delay. *Id.* In this case, the plaintiff's entire claim was dismissed. Universal then requested Judge Sweet to enter a formal judgment and to certify it under Rule

54(b). Nintendo did not oppose this request, and Judge Sweet correctly concluded that certification was appropriate.¹

A. THE DISMISSAL OF UNIVERSAL'S ENTIRE COMPLAINT WAS A FINAL JUDGMENT SEPARABLE FROM AND INDEPENDENT OF NINTENDO'S COUNTERCLAIMS

There is no doubt that Judge Sweet's certification of his judgment dismissing Universal's entire complaint on the merits was a "final judgment" for purposes of Rule 54(b). See generally 6 Moore's Federal Practice ¶ 56.21 [1.-2]. Universal's complaint presented a "cognizable claim for relief". *Curtiss-Wright*, 446 U.S. at 7. This claim was "ultimately dispos[ed] of" by the district court's summary dismissal which completely terminated Universal's litigation against Nintendo.

Universal's "claim for relief" was wholly separate from and "existed independently of" Nintendo's copyright and unfair competition counterclaims. *Brunswick*, 582 F.2d at 182. Universal alleged in its complaint that Nintendo's popular Donkey Kong trademark and trademarked products infringe upon its "exclusive rights" in the "King Kong name, character

1. This Court also has jurisdiction to hear Universal's appeal under 28 U.S.C. § 1292 (a)(1). In its complaint, Universal sought, *inter alia*, an injunction permanently enjoining Nintendo's use of the Donkey Kong trademark. Judge Sweet's grant of defendants' motion for summary judgment and dismissal of all of Universal's claims was a final denial, on the merits, of Universal's request for injunctive relief. This Court has held that it has jurisdiction of an appeal in such circumstances under Section 1292 (a)(1) because the district court's judgment amounts to a final determination that the party seeking the injunction is entitled to no relief and that its prayer for injunctive relief has no merit. See *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 952 n.4 (2d Cir. 1980) (Kearse, J.); *Abercrombie & Fitch Co. v. Hunting World, Inc.* 461 F.2d 1040, 1041-42 (2d Cir. 1971). See also *Carson v. American Brands, Inc.*, 450 U.S. 79 (1981); *Williams Electronics, Inc. v. Arctic International, Inc.*, 685 F.2d 870 (3d Cir. 1982); *Davis v. Ball Memorial Hospital Ass'n*, 640 F.2d 30 (7th Cir. 1980); *EEOC v. International Longshoreman's Ass'n*, 511 F.2d 273 (5th Cir. 1975), cert. denied, 451 U.S. 917 (1981).

and story." A14-25. To succeed on its claim, Universal had to establish that it had acquired from RKO through Richard Cooper the purported King Kong trademark and concomitant goodwill; that the mark was capable of denoting a single source of origin; and, that there was a likelihood of confusion between King Kong and Nintendo's Donkey Kong. The resolution of these issues rested upon the validity of Universal's claim of right to King Kong and whether consumers were likely to believe that Donkey Kong was authorized or sponsored by the alleged owners of the King Kong mark. Nintendo's counterclaims raise questions as to whether Universal intentionally copied Nintendo's copyrighted game play and game board circuitry and whether Universal's actions constituted an improper interference with Nintendo's licensees which impaired or diminished the immense value of Nintendo's rights in its Donkey Kong trademark.

There were no genuine issues of material fact in dispute as to Universal's claims, and Judge Sweet properly determined that Universal had not acquired any trademark rights in King Kong; that the undisputed multiple origins and unsupervised uses of King Kong made it impossible for King Kong to denote a single source of origin; and, that there is no likelihood of confusion between King Kong and Donkey Kong. The determination of these issues was distinct from and in no sense dependent upon the resolution of Nintendo's counterclaims. Certification pursuant to Rule 54(b) is proper in such circumstances. *See Brunswick*, 582 F.2d at 185 (and cases cited therein); *Brink's Inc. v. City of New York*, 528 F. Supp. 1084 (S.D.N.Y. 1981); *Lithium Corp. of America v. AIC Group Inc.*, 81 Civ. 587 (S.D.N.Y. Oct. 2, 1981); *Republic National Bank of New York v. Habib Sabet*, 79 Civ. 4290 (S.D.N.Y., March 27, 1981). *Compare Brunswick*, 582 F.2d at 183 (certification of judgment dismissing antitrust counterclaim improper where appellant has asserted antitrust affirmative defense to pending main claim raising same issues as dismissed counterclaim).

Clearly, the dismissal of Universal's trademark claims in their entirety was a final judgment which stood separate from

and independent of Nintendo's counterclaims and which the district court could properly determine was "ready for appeal."

B. JUDGE SWEET DID NOT ABUSE HIS DISCRETION IN DETERMINING THAT THERE IS NO JUST REASON FOR DELAY

Having rendered a final judgment on a separable and independent claim for relief, Judge Sweet correctly determined that there was no just reason to delay an appeal of his decision dismissing Universal's complaint. This determination was a proper exercise of Judge Sweet's discretion under Rule 54(b). A balancing of the relevant factors demonstrates that certification of the summary judgment decision avoids piecemeal appeals and "advances the interests of sound judicial administration and justice to the litigants" because:

the claims finally adjudicated were separate, distinct and independent of the . . . counterclaims, certification would not result in unnecessary appellate review, review of the adjudicated claims would not be mooted and . . . no appellate court would have to decide the same issue twice.

Curtiss-Wright, 446 U.S. at 5.

An appeal from the resolution of Nintendo's counterclaims will not require this Court to decide again the same issues presented by Universal's appeal. As stated above, resolution of Nintendo's counterclaims will require a determination as to whether Universal intentionally copied Nintendo's copyrighted game play and circuit board and whether Universal's actions vis-a-vis Nintendo's merchandising program and its licensees, including Universal's agreements with Coleco, Atari and Ruby-Spears, diminished the value of Nintendo's Donkey Kong trademark through misappropriation of Nintendo's trademark and interference with Nintendo's licensing agreements. The court will not be asked to decide again whether Universal has rights in King Kong, whether King Kong has acquired secondary meaning, whether a likelihood of consumer confusion exists between Donkey Kong and King Kong, or whether

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Universal's agreements with Nintendo's licensees constitute an abandonment of Universal's claimed mark or an admission of no confusion between Donkey Kong and King Kong.

The issues presented on this appeal do not invite "unnecessary appellate review". This Court is not faced with the prospect of rendering a "necessarily hypothetical" and "advisory" opinion based upon "pious generalities" that will "plague" the Court later. *See Brunswick*, 582 F.2d at 184. All of the issues relevant to Universal's claim for relief are before this Court, and the Court can pass "intelligently" upon the propriety of the district court's dismissal without hypothesizing as to what effect, if any, the resolution of outstanding issues will have on this opinion. *Compare Brunswick*, 582 F.2d at 184 (Court could not appropriately assess the correctness of a dismissal of an antitrust counterclaim where jury had yet to decide whether contract at issue was reasonable).

In addition, a resolution of Nintendo's counterclaims clearly will not moot the claims presented on Universal's appeal. Regardless of the decision on Nintendo's counterclaims, this Court would still have to determine whether Universal had rights in King Kong, whether King Kong is a valid trademark and whether Donkey Kong is confusingly similar to King Kong.

Considering the final factor, justice to the parties, it is clear that a refusal to certify this judgment when Universal requested it, or a dismissal now of this appeal, would subject Nintendo to substantial hardship. Universal has publicly challenged Nintendo's rights in its extraordinarily successful Donkey Kong trademark and products. Trademarks are fragile property rights whose value depends upon their unquestioned ability to designate a single source of origin and to represent the goodwill of a particular business entity. Unless the claims presented by Universal's appeal are resolved in an expeditious manner, Universal's continuing assertion of a conflicting claim of right to the Donkey Kong trademark will substantially impair the value of Donkey Kong in the marketplace. Already Universal has extracted damaging agreements from Nintendo's licensees, and Universal continues to profit from Nintendo's success in Donkey Kong even while this appeal is pending.

Since April 1982 when Universal first threatened Nintendo with litigation, a cloud of uncertainty has hung over Nintendo's use of its Donkey Kong trademark and its marketing of Donkey Kong products. Although Nintendo has no doubt that it has a valid and unassailable trademark in the Donkey Kong name and character, the specter of a permanent injunction enjoining the further use of this mark, and the possibility of an accounting to Universal for all profits earned from the distribution of Donkey Kong products, have significantly impaired Nintendo's licensing program. An expeditious affirmance of the district court's grant of summary judgment dismissing all of Universal's claims against Nintendo and its denial of a permanent injunction and any other relief sought by Universal is therefore essential to protect Nintendo from further substantial and irreparable harm. *Cf. Perfect Fit Industries, Inc. v. Acme Quilting, Co.*, 618 F.2d 950, 952 n.4 (2d Cir. 1980). For that reason, Nintendo explicitly concurred in Universal's request for certification of Judge Sweet's judgment.

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III CONCLUSION

Judge Sweet's certification pursuant to Rule 54(b) was not an abuse of discretion since the dismissal of Universal's entire complaint was a final judgment separable from and independent of Nintendo's counterclaims and there is no just reason for delay.

Dated: June 13, 1984

Respectfully submitted,

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